

TOWN OF CLARKS
Clarks, Louisiana

Annual Financial Statements

As of and for the Year Ended
June 30, 2012

TOWN OF CLARKS
Clarks, Louisiana

Annual Financial Statements

As of and for the Year Ended June 30, 2012

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TOWN OF CLARKS
Clarks, Louisiana
Annual Financial Statements
As of and for the Year Ended June 30, 2012

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M. CARLEEN DUMAS
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Independent Auditor's Report

MAYOR AND BOARD OF ALDERMEN
TOWN OF CLARKS
Clarks, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Clarks (the "Town"), as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the Town of Clarks, as of June 30, 2012, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated October 15, 2012, on my consideration of the Town of Clarks' internal control over financial reporting and on my tests of the Town's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Member of the American Institute of Certified Public Accountants
Member of the Society of Louisiana of Certified Public Accountants

MAYOR AND BOARD OF ALDERMEN
TOWN OF CLARKS
Clarks, Louisiana
Independent Auditor's Report
June 30, 2012

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 5 and budgetary comparison information on page 30, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Clarks' financial statements as a whole. The Schedule of Per Diem Paid Aldermen and the Status of Prior Year Findings on pages 33 and 34 presented as other supplemental information, are presented for the purpose of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s Carleen Dumas
Calhoun, Louisiana
October 15, 2012

TOWN OF CLARKS
Clarks, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012

Our discussion and analysis of the Town of Clarks' (hereafter referred to as the Town) financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the Town's financial statements that begin on page 11.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities on pages 11 and 12 provide information about the activities of the Town as a whole. Fund financial statements begin on page 13. For governmental activities, these statements provide information on how the general activities of the Town are financed in the short term as well as what remains for future spending. Fund financial statements report the Town's operations in more detail than the government-wide statements.

Reporting the Town as a Whole - The Statement of Net Assets and the Statement of Activities

Our analysis of the Town as a whole begins on page 11 with the Statement of Net Assets and on page 12 with the Statement of Activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's *net assets* and the changes in them. Net assets - the difference between assets (what the Town owns) and liabilities (what the Town owes) is a way to measure the financial position of the Town. Over time, increases or decreases in the Town's net assets are an indicator of whether the Town's financial position is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities, the Town is divided into two kinds of activities:

Governmental activities - all of the Town's governmental services are reported here including police and fire protection and general administration.

Business-type activities - the Town's water and sewer systems are reported here.

TOWN OF CLARKS
Clarks, Louisiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012

Reporting the Town's Funds - Fund Financial Statements

Our analysis of the Town's funds begin on page 13 . The fund financial statements provide more detailed information about the Town's funds. The Town's two kinds of funds - governmental and business-type funds use different accounting methods.

Governmental funds focus on how money flows into and out of the funds and the balances left at year-end that are available for spending. Governmental funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's operations. Governmental fund information helps to determine whether there are more or fewer financial resources that are available to be spent in the near future. The differences between governmental activities reported in the Statement of Net Assets and the Statement of Activities and governmental funds are reported in a reconciliation at the bottom of the fund financial statements.

Business-type activities funds are reported in the same way that the activities are reported in the Statement of Net Assets and the Statement of Activities.

**COMPARATIVE ANALYSIS OF
FINANCIAL DATA**

Government-Wide

The Town's total net assets increased by \$42,166 during the year ended June 30, 2012. The increase in net assets resulted from the Town's receiving a federal grant in the amount of \$190,475 that was used to purchase a new fire truck. Without this federal funding the town would have had a decrease in net assets of \$148,309.

The Town's total revenues increased \$118,324 in 2012 primarily due to an increase in capital grant revenue which was used to purchase a new fire truck. Total expenses decreased \$19,155 from the prior year amount. The total decrease was primarily a decrease in repairs expense in the business-type activities fund.

The following presents an analysis of net assets and changes in net assets of the Town's governmental and business-type activities:

TOWN OF CLARKS
Clarks, Louisiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2012	2011	2012	2011	2012	2011
Assets						
Current assets	\$30,833	\$30,029	\$107,214	\$96,563	\$138,047	\$126,592
Restricted assets	96,788	98,430			96,788	98,430
Capital assets	629,240	473,821	1,330,742	1,457,404	1,959,982	1,931,225
Total assets	<u>756,861</u>	<u>602,280</u>	<u>1,437,956</u>	<u>1,553,967</u>	<u>2,194,817</u>	<u>2,156,247</u>
Liabilities						
Current liabilities	<u>5,606</u>	<u>8,165</u>	<u>24,303</u>	<u>25,340</u>	<u>29,909</u>	<u>33,505</u>
Net Assets						
Invested in capital assets	629,240	473,821	1,330,742	1,457,404	1,959,982	1,931,225
Restricted by grantor	96,788	98,430			96,788	98,430
Unrestricted	<u>25,227</u>	<u>21,864</u>	<u>82,911</u>	<u>71,223</u>	<u>108,138</u>	<u>93,087</u>
Total net assets	<u>751,255</u>	<u>594,115</u>	<u>1,413,653</u>	<u>1,528,627</u>	<u>2,164,908</u>	<u>2,122,742</u>

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2012	2011	2012	2011	2012	2011
Program revenues						
Charges for services	\$6,072	\$9,113	\$232,398	\$233,819	\$238,470	\$242,932
Operating grants	27,436	60,850	4,262	46,698	31,698	107,548
Capital grants	190,475				190,475	
General revenues						
Property taxes	7,160	7,066			7,160	7,066
Franchise taxes	9,319	10,954			9,319	10,954
Sales taxes	2,799	3,315			2,799	3,315
Occupational licenses	8,665	8,964			8,665	8,964
Investment earnings	84	70	198	115	282	185
Other	13,525	1,073			13,525	1,073
Special item - gain on loss of fixed assets				2,032		2,032
Transfers	<u>69,900</u>	<u>56,962</u>	<u>(69,900)</u>	<u>(56,962)</u>		
Total revenue and transfers	<u>335,435</u>	<u>158,367</u>	<u>166,958</u>	<u>225,702</u>	<u>502,393</u>	<u>384,069</u>
Program expenses						
General government	143,691	143,293			143,691	143,293
Public safety	34,604				34,604	
Water and sewer			281,932	336,089	281,932	336,089
Total expenses	<u>178,295</u>	<u>143,293</u>	<u>281,932</u>	<u>336,089</u>	<u>460,227</u>	<u>479,382</u>
Change in net assets	157,140	15,074	(114,974)	(110,387)	42,166	(95,313)
Net assets - beginning	594,115	579,041	1,528,627	1,639,014	2,122,742	2,218,055
Net assets - ending	<u>\$751,255</u>	<u>\$594,115</u>	<u>\$1,413,653</u>	<u>\$1,528,627</u>	<u>\$2,164,908</u>	<u>\$2,122,742</u>

TOWN OF CLARKS
Clarks, Louisiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012

Governmental Funds

The revenue from governmental activities increased \$164,130 from governmental revenues of the prior year due to an increase in grant revenue in 2012. Expenses from governmental activities increased \$35,002 from prior year amounts primarily due to street repair expenses incurred during 2012.

Business-Type Activities

Water and sewer fees of the Water and Sewer Enterprise Fund remained fairly constant from prior year amounts but revenues from operating grants decreased \$42,436. Expenses decreased \$54,157 from prior year amounts due to decreases in repairs to the water system funded by the operating grants during the prior year.

OVERALL FINANCIAL POSITION

The Town's net assets increased \$42,166 as a result of this year's operations. Unrestricted net assets (those assets available to finance the daily operations of the Town) were \$108,138 at year end. The amount invested in capital assets was \$1,959,982 at year end and net assets restricted by grantor were \$96,788.

TOWN'S FUNDS

At the end of the year, the Town's General Fund reported an unassigned fund balance of \$550. The fund balance assigned for the fire department totaled \$24,601 at year end. \$96,788 of the General Fund fund balance at year end is restricted by the grantor for street improvements. The increase in total fund balance for 2012 was \$1,721 primarily due to transfers from the Water and Sewer Enterprise Fund in the amount of \$69,900 to help cover the expenditures of the General Fund. The Water and Sewer Enterprise Fund reported unrestricted net assets of \$82,911 at year end. The decrease in net assets was \$114,974 for 2012 primarily due to depreciation expense of \$131,662 and the transfer of \$69,900 to the General Fund to cover the expenditures of the General Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

At year end, actual revenues and other financing sources were \$36,708 more than budgeted revenues and other financing sources. Actual General Fund expenditures were \$41,091 more than budgeted expenditures. There was one budget amendment during the year. The Town prepares its General Fund budget on the modified accrual basis of accounting.

TOWN OF CLARKS
Clarks, Louisiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012

CAPITAL ASSETS

At the end of the year, the Town had capital assets (net of accumulated depreciation) totaling \$1,959,982. Capital assets include the water and sewer systems and improvements, street improvements, land, buildings, equipment and vehicles, and construction in progress, costing \$500 or more. The Town's only addition during the year was the purchase of new fire truck. Additional information about the Town's capital assets is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Town prepared its 2013 General Fund budget on the assumption that revenues and expenditures will remain fairly constant next year except for an anticipated decrease in federal grants and related capital outlay expenditures and an increase in traffic fines. Revenue and expenses of the Water and Sewer Enterprise Fund are expected to remain fairly constant for the year ending June 30, 2013. The Town expects to receive a state grant for sewer repairs during the year ended June 30, 2013.

BASIC FINANCIAL STATEMENTS

TOWN OF CLARKS
Clarks, Louisiana

STATEMENT OF NET ASSETS
June 30, 2012

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	\$27,458	\$87,945	\$115,403
Receivables (net of allowances for uncollectibles)	3,375	19,269	22,644
Restricted cash	96,788		96,788
Capital assets (net)	629,240	1,330,742	1,959,982
TOTAL ASSETS	756,861	1,437,956	2,194,817
LIABILITIES			
Accounts payable	4,586	4,389	8,975
Payroll taxes payable	1,020	3,299	4,319
Compensated absences payable		2,535	2,535
Customer deposits		14,080	14,080
TOTAL LIABILITIES	5,606	24,303	29,909
NET ASSETS			
Invested in capital assets	629,240	1,330,742	1,959,982
Restricted by grantor	96,788		96,788
Unrestricted	25,227	82,911	108,138
TOTAL NET ASSETS	\$751,255	\$1,413,653	\$2,164,908

The accompanying notes are an integral part of this statement.

Statement B

TOWN OF CLARKS
Clarks, Louisiana

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Program Revenue.....			Net (Expense) Revenue andChanges in Net Assets.....		
	Charges for	Operating	Capital	Governmental	Business-Type	Total
Expenses	Services	Grants	Grants	Activities	Activities	
GOVERNMENTAL ACTIVITIES:						
General government	\$143,691	\$5,115	\$24,991	(\$113,585)		(\$113,585)
Public safety	34,604	957	2,445	159,273		\$159,273
Total governmental activities	178,295	6,072	27,436	45,688	NONE	\$45,688
BUSINESS-TYPE ACTIVITIES:						
Water and sewer service	281,932	232,398	4,262		(\$45,272)	(45,272)
Total government	\$460,227	\$238,470	\$31,698	45,688	(45,272)	416
GENERAL REVENUES:						
Property taxes				7,160		7,160
Franchise taxes				9,319		9,319
Sales taxes				2,799		2,799
Occupational licenses				8,665		8,665
Investment earnings				84	198	282
Other revenues				13,525		13,525
Transfers				69,900	(69,900)	
Total general revenues and transfers				111,452	(69,702)	41,750
CHANGE IN NET ASSETS				157,140	(114,974)	42,166
NET ASSETS - BEGINNING				594,115	1,528,627	2,122,742
NET ASSETS - ENDING				\$751,255	\$1,413,653	\$2,164,908

The accompanying notes are an integral part of this statement.

TOWN OF CLARKS
Clarks, Louisiana

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012

	GENERAL FUND	LCDBG CAPITAL PROJECTS FUND	TOTAL
ASSETS			
Cash	\$27,382	\$76	\$27,458
Receivables	3,375		3,375
Restricted cash	96,788		96,788
TOTAL ASSETS	<u>\$127,545</u>	<u>\$76</u>	<u>\$127,621</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$4,586		\$4,586
Payroll taxes payable	1,020		1,020
Total liabilities	<u>\$5,606</u>	NONE	<u>\$5,606</u>
Fund balance:			
Restricted	96,788		96,788
Assigned	24,601		24,601
Unassigned	550	\$76	626
Total fund balances	<u>121,939</u>	<u>76</u>	<u>122,015</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$127,545</u>	<u>\$76</u>	<u>\$127,621</u>

**Reconciliation of the Balance Sheet of Governmental Fund
To the Statement of Net Assets:**

Total Fund balance - Governmental Funds	\$122,015
Amount reported for net assets of governmental activities in the Statement of Net Assets (Statement A) is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund	629,240
Net assets of governmental activities (Statement A)	<u>\$751,255</u>

The accompanying notes are an integral part of this statement.

TOWN OF CLARKS
Clarks, Louisiana

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	GENERAL FUND	LCDBG CAPITAL PROJECTS FUND	TOTAL
REVENUES			
Taxes:			
Property	\$7,160		\$7,160
Sales	2,799		2,799
Franchise	9,319		9,319
Occupational licenses	8,665		8,665
Intergovernmental revenues:			
Federal grants	190,475		190,475
State grants	27,436		27,436
Traffic fines	957		957
Mowing fees	2,715		2,715
Use of money and property:			
Interest earnings	84		84
Rent	2,400		2,400
Other revenues	13,525		13,525
Total revenues	<u>265,535</u>	<u>NONE</u>	<u>265,535</u>
EXPENDITURES			
General government - current:			
Personal services and related benefits	20,290		20,290
Operating services	91,042		91,042
Materials and supplies	13,949		13,949
Travel and other	3,852		3,852
Public safety - current:			
Operating services	7,313		7,313
Materials and supplies	8,565		8,565
Capital outlay	188,703		188,703
Total expenditures	<u>333,714</u>	<u>NONE</u>	<u>333,714</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(68,179)	NONE	(68,179)
OTHER FINANCING SOURCES			
Transfers in	69,900		69,900
NET CHANGE IN FUND BALANCE	1,721	NONE	1,721
FUND BALANCE AT BEGINNING OF YEAR	120,218	76	120,294
FUND BALANCE AT END OF YEAR	<u>\$121,939</u>	<u>\$76</u>	<u>\$122,015</u>

(Continued)

The accompanying notes are an integral part of this statement.

TOWN OF CLARKS
 Clarks, Louisiana
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2012

**Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balance of Governmental Funds to
 the Statement of Activities:**

Net change in fund balances - Total Governmental Funds	\$1,721
Amount reported for governmental activities in the Statement of Activities (Statement B) is different because: Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.	
	<u>155,419</u>
Change in net assets of governmental activities (Statement B)	<u>\$157,140</u>

(Concluded)

The accompanying notes are an integral part of this statement.

TOWN OF CLARKS
Clarks, Louisiana

STATEMENT OF NET ASSETS - BUSINESS-TYPE ACTIVITIES
June 30, 2012

	Water and Sewer Enterprise Fund
ASSETS	
Current assets:	
Cash	\$87,945
Accounts receivable (net of allowance for doubtful accounts)	19,269
Total current assets	<u>107,214</u>
Noncurrent assets:	
Capital assets (net of accumulated depreciation)	1,330,742
Total assets	<u>1,437,956</u>
LIABILITIES	
Current liabilities:	
Accounts payable	4,389
Payroll taxes payable	3,299
Compensated absences payable	2,535
Customer deposits	14,080
Total liabilities	<u>24,303</u>
NET ASSETS	
Invested in capital assets	1,330,742
Unrestricted	82,911
Total net assets	<u><u>\$1,413,653</u></u>

The accompanying notes are an integral part of this statement.

TOWN OF CLARKS
Clarks, Louisiana

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2012

	Water and Sewer Enterprise Fund
OPERATING REVENUES	
Service fees	<u>\$232,398</u>
OPERATING EXPENSES	
Salaries and related expenses	69,328
Contract labor	1,010
Consultant	12,000
Utilities and telephone	23,624
Materials and supplies	25,713
Dues and fees	2,019
Office expense	5,509
Postage	1,267
Repairs	2,909
Travel	1,559
Fuel	3,366
Lab fees	952
Miscellaneous	1,014
Depreciation	<u>131,662</u>
Total operating expenses	<u>281,932</u>
OPERATING INCOME (Loss)	<u>(49,534)</u>
NON-OPERATING REVENUE	
Interest income	198
State grants	<u>4,262</u>
Total non-operating revenues	<u>4,460</u>
INCOME BEFORE TRANSFERS	(45,074)
TRANSFERS OUT	<u>(69,900)</u>
CHANGE IN NET ASSETS	(114,974)
NET ASSETS - BEGINNING	<u>1,528,627</u>
NET ASSETS - ENDING	<u><u>\$1,413,653</u></u>

The accompanying notes are an integral part of this statement.

TOWN OF CLARKS
Clarks, Louisiana

STATEMENT OF CASH FLOWS - BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2012

Water and
Sewer
Enterprise
Fund

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$235,739
Customer meter deposits, net	1,490
Payments to suppliers	(87,100)
Payments to employees	(65,697)
Net cash provided by operating activities	<u>84,432</u>

CASH FLOWS FROM CAPITAL**FINANCING ACTIVITIES**

Construction of capital assets	<u>(5,000)</u>
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CASH FLOWS FROM NON-CAPITAL**FINANCING ACTIVITIES**

Operating transfers in (out)	(69,900)
State grant	4,262
Net cash used for non-capital financing activities	<u>(65,638)</u>

**CASH FLOWS FROM INVESTING
ACTIVITIES**

Interest income	<u>198</u>
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NET INCREASE IN CASH

CASH AT BEGINNING OF YEAR	<u>73,953</u>
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CASH AT END OF YEAR	<u><u>\$87,945</u></u>
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Reconciliation of Operating Income (Loss) to**Net Cash Provided by Operating Activities**

Operating Income (Loss)	<u>(\$49,534)</u>
Adjustments:	
Depreciation	131,662
(Increase) decrease in accounts receivable	3,341
Increase in accounts and taxes payable	(5,062)
Increase in compensated absences payable	2,535
Increase in customer meter deposits	1,490
Total adjustments	<u>133,966</u>
Net cash provided by operating activities	<u><u>\$84,432</u></u>

The accompanying notes are an integral part of this statement.

TOWN OF CLARKS
Clarks, Louisiana

Notes to the Financial Statements
As of and for the Year Ended June 30, 2012

INTRODUCTION

The Town of Clarks was created under the Lawrason Act and is governed by the mayor-board of aldermen form of government. The aldermen receive a \$50 per diem for attending each regular and special meeting. The town provides public safety, public works, and general government services to its residents. The town has two full-time employees, an appointed Chief of Police, and a volunteer police officer.

GASB Statement No. 14, *The Financial Reporting Entity*, and Statement No. 39, *Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No. 14* establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of these Statements, the Town of Clarks is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB Statement No. 14, fiscally independent means that the municipality may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The town has no component units.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Town of Clarks. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

TOWN OF CLARKS
Notes to the Financial Statements

Separate financial statements are provided for governmental funds and business-type activities funds. All individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

**B. Measurement Focus, Basis of Accounting, and
Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the business-type fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the town.

The Town of Clarks reports the following governmental funds:

General Fund

The General fund is the general operating fund of the town and accounts for all financial resources of the general government.

LCDBG Capital Projects Fund

The LCDBG Fund was used to account for a grant from the United States Department of Housing and Urban Development, Division of Administration for the

TOWN OF CLARKS
Notes to the Financial Statements

improvement of the town's water system. There was no activity in the fund for the year ended June 30, 2012.

The Town of Clarks reports the following business-type activity funds:

Water and Sewer Enterprise Fund

The Water and Sewer Enterprise Fund accounts for the operations of the town's water and sewer systems.

Pursuant to the election option made available by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the business-type activities and the Water and Sewer Enterprise Fund financial statements.

As a general rule, the effect of interfund activity is eliminated from the government-wide financial statements.

Amounts reported as program revenues include charges to customers for goods, services, or privileges provided and operating grants. General revenues include all taxes, occupational licenses, interest, and other miscellaneous revenue.

Business-type activities funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's ongoing operations. The Water and Sewer Enterprise Fund's operating revenues consist of charges for water and sewer sales. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

C. Deposits

The town's cash consists of interest-bearing and noninterest-bearing demand deposits. State law allows the town to invest in collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities.

D. Receivables

Trade receivables are generally shown net of an allowance for uncollectible amounts.

TOWN OF CLARKS
Notes to the Financial Statements

The town is of the opinion that an allowance for uncollectible accounts would be immaterial to the financial statements.

Property taxes are levied on a calendar year basis and become due on January 1 of each year. For the year ended June 30, 2012, the town levied 6.23 mills for operations of the General Fund.

The town receives a pro-rata share of a one-fourth of one percent parishwide (excluding the Town of Columbia) sales tax approved by the voters in Caldwell Parish on October 19, 1985 for fire protection in the parish. The sales tax is collected by the police jury and remitted to the town net of its pro-rata share of the cost of collection.

E. Capital Assets

Capital assets, which include land, buildings, street improvements, the water and sewer systems and improvements, vehicles and equipment, and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Approximately 98 percent of the town's capital assets have been capitalized at cost and the remaining 2 percent have been capitalized at estimated cost based on the historical cost of similar assets. The Town of Clarks maintains a threshold level of \$500 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

All capital assets, other than land and construction in progress are depreciated using the straight-line method over the following useful lives:

	<u>Estimated Lives</u>
Infrastructure - water and sewer system and improvements	25 years
Infrastructure - street improvements	40 years
Buildings	25 years
Vehicles and equipment	5-15 years

F. Net Assets/Fund Balance

For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either:

1. externally imposed by creditors (such as debt covenants), grantors,

TOWN OF CLARKS
Notes to the Financial Statements

2. contributors, or laws or regulations of other governments; or
imposed by law through constitutional provisions or enabling legislation.

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which funds can be spent. Fund balance should be reported as restricted when constraints on the use of the funds meet the same criteria as restricted net assets in the government-wide statement of net assets as noted in the previous paragraph. Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the board of aldermen are reported as committed fund balance. Assigned fund balance are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The board of aldermen is authorized to assign amounts to a specific purpose. Unassigned fund balance is the residual classification and represents fund balance that has not been restricted, committed, or assigned to a specific purpose.

At June 30, 2012, the Town's restricted net assets/fund balance represent federal grant funds restricted for street repairs by the grantor. Assigned fund balance in the General Fund is comprised of funds that the Town intends to spend on the fire department.

The Town considers restricted amounts to be spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The Town considers assigned amounts to be spent first when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Restricted Assets

Cash in the amount of \$96,788 that was received under a federal grant program and restricted for street repairs is reported as restricted cash with a corresponding restriction of net assets/fund balance.

H. Compensated Absences

It is the Town's policy to permit full time permanent employees to earn 18 days of annual leave for each full year of employment. Annual leave is credited to employees each pay period on a pro rata basis. Employees are allowed to carry over 30 to 45 days of accumulated annual leave to the following year based on years of service. All full time permanent employees earn 10 days of sick leave for each full year of employment. Sick leave is credited to employees each pay period on a pro rata basis. Employees are allowed to accumulate any unused sick leave hours without limitation. Upon termination, resignation, or retirement, employees shall be paid at their current rate of pay, for

TOWN OF CLARKS
Notes to the Financial Statements

accumulated annual and sick leave combined from 90 to 105 days based on years of service. Unpaid compensated absences are recorded as a liability when the benefits are earned in the Water and Sewer Fund financial statements which is the fund that pays the salaries of the Town's permanent full time employees. The valuation of accrued leave benefits is calculated in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. The Town's total accrued compensated absences liability is reported as a current liability at June 30, 2012, as the Town anticipates that the leave will be used by the employees during the next fiscal year.

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosures, and revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budget Information

The Town of Clarks uses the following budget practices:

A proposed budget for the General Fund, prepared on the modified accrual basis of accounting, is presented to the board of aldermen in June. The budget is legally adopted by the board of aldermen at a board meeting and amended during the year as necessary. Budgets are established and controlled by the board at the object level of expenditure. Appropriations lapse at year-end and must be reappropriated for the following year to be expended. The budgetary comparison schedule included as supplemental information in the accompanying financial statements includes the original budget amounts and all subsequent budget amendments during the year.

The following individual fund's actual expenditures exceeded budgeted expenditures for the year ended June 30, 2012:

	Original Budget	Final Budget	Actual	Unfavorable Variance
General Fund	<u>\$117,575</u>	<u>\$292,623</u>	<u>\$333,714</u>	<u>(\$41,091)</u>

TOWN OF CLARKS
Notes to the Financial Statements

3. DEPOSITS IN FINANCIAL INSTITUTIONS

At June 30, 2012, the town has cash (book balances) as follows:

Checking accounts	<u>\$212,191</u>
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These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These deposits are secured from risk by federal deposit insurance.

4. RECEIVABLES

The following is a summary of receivables at June 30, 2012:

	General Fund	Water and Sewer Enterprise Fund	Total
Franchise taxes	\$1,618		\$1,618
Occupational licenses	1,757		1,757
Accounts		19,269	19,269
Allowance for doubtful accounts	NONE	NONE	NONE
Total	<u>\$3,375</u>	<u>\$19,269</u>	<u>\$22,644</u>

5. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2012, is as follows:

	Balance at July 1, 2011	Increases	Decreases	Balance at June 30, 2012
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>\$1,700</u>	<u>NONE</u>	<u>NONE</u>	<u>\$1,700</u>
Capital assets being depreciated:				
Buildings	61,000			61,000
Street improvements	338,007			338,007

TOWN OF CLARKS
Notes to the Financial Statements

	Balance at July 1, 2011	Increases	Decreases	Balance at June 30, 2012
Vehicles and equipment	\$306,381	\$188,703	(\$1,500)	\$493,584
Total capital assets being depreciated	705,388	188,703	(1,500)	892,591
Less accumulated depreciation for:				
Buildings	21,350	1,525		22,875
Street improvements	12,675	1,408		14,083
Vehicles and equipment	199,242	30,351	(1,500)	228,093
Total accumulated depreciation	233,267	33,284	(1,500)	265,051
Total assets being depreciated, net	472,121	155,419	NONE	627,540
Total capital assets (net)	\$473,821	\$155,419	NONE	\$629,240
Business-type activities:				
Capital assets not being depreciated:				
Land	\$1,500	NONE	NONE	\$1,500
Construction in progress	NONE	\$5,000		5,000
Total capital assets not being depreciated	1,500	5,000	NONE	6,500
Capital assets being depreciated:				
Water system and improvements	1,880,168			1,880,168
Sewer system and improvements	1,479,988			1,479,988
Equipment	23,975			23,975
Total capital assets being depreciated	3,384,131	NONE	NONE	3,384,131
Less accumulated depreciation for:				
Water system and improvements	849,986	71,760		921,746

TOWN OF CLARKS
Notes to the Financial Statements

	Balance at July 1, 2011	Increases	Decreases	Balance at June 30, 2012
Sewer system and improvements	1,063,532	59,365		1,122,897
Equipment	14,709	537		15,246
Total accumulated depreciation	1,928,227	131,662	NONE	2,059,889
Total capital assets being depreciated, net	1,455,904	(131,662)	NONE	1,324,242
Total capital assets (net)	<u>\$1,457,404</u>	<u>(\$126,662)</u>	<u>NONE</u>	<u>\$1,330,742</u>

Depreciation expense of \$14,558 was charged to the general government governmental function, \$18,726 was charged to the public safety governmental function and \$131,662 was charged to the water and sewer service business-type activities function.

6. INTERFUND TRANSFERS

The following is a summary of interfund transfers during the year ended June 30, 2012:

	Transfer In	Transfer Out
General Fund	\$69,900	
Water and Sewer Enterprise Fund		\$69,900
Total	<u>\$69,900</u>	<u>\$69,900</u>

The transfers were made to pay operating expenses of the General Fund.

7. RISK MANAGEMENT AND CONTINGENT LIABILITIES

The Town purchases commercial insurance to reduce the risk of loss resulting from property damage or liability claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

The Town is involved in one lawsuit at June 30, 2012 that has been ongoing for several years. Legal counsel for the Town is of the opinion that the Town will not incur any liability in this case; however, the potential liability in the event of an unfavorable outcome is \$50,000. No provision for any liability is recorded in the accompanying financial statements.

TOWN OF CLARKS
Notes to the Financial Statements

8. FEDERAL GRANT CONTINGENCIES

During the year ended June 30, 2012, the Town received a grant in the amount of \$190,475 from the Federal Emergency Management Agency (FEMA) to purchase a new fire truck. The amount received is subject to audit and adjustment by the grantor agency. If any expenditures are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the Town.

Management of the Town is of the opinion that any such adjustments would not be material to the Town's operating results or fund balance; therefore no liability has been recorded in the accompanying financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF CLARKS
Clarks, Louisiana

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND
For the Year Ended June 30, 2012

	BudgetedAmounts.....		Actual Amounts (Budgetary Basis - GAAP)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$7,200	\$7,154	\$7,160	\$6
Sales	6,000	2,284	2,799	515
Franchise	12,000	15,542	9,319	(6,223)
Intergovernmental:				
Federal grants		190,475	190,475	
State grants			27,436	27,436
Occupational licenses	7,500	1,600	8,665	7,065
Traffic fines	8,000	957	957	
Mowing fees	3,500	125	2,715	2,590
Rent	2,600	1,974	2,400	426
Investment earnings	100	70	84	14
Other revenue		10,156	13,525	3,369
Total revenues	<u>46,900</u>	<u>230,337</u>	<u>265,535</u>	<u>35,198</u>
EXPENDITURES				
General government:				
Personal services and related benefits	16,150	22,319	20,290	2,029
Operating services	66,925	61,422	91,042	(29,620)
Materials and supplies	10,000	978	13,949	(12,971)
Travel and other	3,500	3,582	3,852	(270)
Public safety:				
Operating services			7,313	(7,313)
Materials and supplies	21,000	204,322	8,565	195,757
Capital outlay			188,703	(188,703)
Total expenditures	<u>117,575</u>	<u>292,623</u>	<u>333,714</u>	<u>(41,091)</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>(70,675)</u>	<u>(62,286)</u>	<u>(68,179)</u>	<u>(5,893)</u>
OTHER FINANCING SOURCES				
Transfers (net)	<u>65,000</u>	<u>68,390</u>	<u>69,900</u>	<u>1,510</u>
NET CHANGE IN FUND BALANCE	<u>(5,675)</u>	<u>6,104</u>	<u>1,721</u>	<u>(4,383)</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>104,000</u>	<u>104,000</u>	<u>120,218</u>	<u>16,218</u>
FUND BALANCE AT END OF YEAR	<u>\$98,325</u>	<u>\$110,104</u>	<u>\$121,939</u>	<u>\$11,835</u>

There was one budget amendment during the year.

OTHER SUPPLEMENTAL INFORMATION SCHEDULES

TOWN OF CLARKS
Clarks, Louisiana

OTHER SUPPLEMENTAL INFORMATION SCHEDULES
As of and For the Year Ended June 30, 2012

COMPENSATION PAID ALDERMEN

The schedule of per diem paid aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the aldermen is included in the general government personal services expenditures of the General Fund. Aldermen receive a per diem of \$50 for attending each regular meeting.

STATUS OF PRIOR YEAR FINDINGS

The follow-up and corrective action taken on all prior year findings is presented in Schedule 3.

Schedule 2

TOWN OF CLARKS
Clarks, Louisiana

Schedule of Per Diem Paid Aldermen
For the Year Ended June 30, 2012

Ann Breland	\$600
Crystal Buckalew	600
Gary Holmes	600
Krissy Jolly	600
Crystal Lee	<u>600</u>
Total	<u><u>\$3,000</u></u>

TOWN OF CLARKS
Clarks, Louisiana

STATUS OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 2012

Reference Number	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action
N/A	2009	Inadequate Segregation of Accounting Duties	No	See current year finding 2012-1.
N/A	2009	Inadequate Controls Over the Preparation of Financial Statements	No	See current year finding 2012-2.
Procedure 8a	2009	Inadequate Supporting Documentation for Payments for Contract Labor	Yes	N/A
N/A	2011	Bank Reconciliations Were Not Properly Performed for the Town's Bank Accounts.	Yes	N/A

M. CARLEEN DUMAS
Certified Public Accountant
369 Donaldson Road. Calhoun, Louisiana. Telephone 318/644-5726

Independent Auditor's Report on
Internal Control Over Financial Reporting and on
Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

MAYOR AND BOARD OF ALDERMEN
TOWN OF CLARKS
Clarks, Louisiana

I have audited the financial statements of the governmental activities, the business-type activities and major fund of the Town of Clarks, as of and for the year ended June 30, 2012, which collectively comprise the Town of Clarks' basic financial statements and have issued my report thereon dated October 15, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Clarks' internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Clarks' internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of current year findings and management's planned corrective action, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and other deficiencies that I consider to be significant deficiencies.

Member of the American Institute of Certified Public Accountants
Member of the Society of Louisiana of Certified Public Accountants

MAYOR AND BOARD OF ALDERMEN
TOWN OF CLARKS
Clarks, Louisiana
Independent Auditor's Report
on Compliance and on
Internal Control, etc.,
June 30, 2012

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of current year findings and management's planned corrective action as 2012-1, 2012-2, and 2012-3 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying schedule of current year findings and management's planned corrective action as 2012-4, 2012-5, and 2012-6 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Clarks' financial statements are free of material misstatement, I performed tests of the Town's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current year findings as 2012-7 and 2012-8.

The Town's responses to the findings identified in my audit are described in the accompanying schedule of current year findings and management's planned corrective action. I did not audit the Town's responses and, accordingly, I express no opinion on the responses.

This report is intended solely for the information of the mayor and board of commissioners and management of the Town of Clarks and is not intended to be and should not be used by anyone other than these specified parties.

/s Carleen Dumas
Calhoun, Louisiana
October 15, 2012

TOWN OF CLARKS
Clarks, Louisiana

Schedule of Current Year Findings and
Management's Planned Corrective Action
For the Year Ended June 30, 2012

I have audited the financial statements of the governmental activities, the business-type activities and major fund of the Town of Clarks as of and for the year ended June 30, 2012, which comprise the Town's basic financial statements and have issued my report thereon dated October 15, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. My audit of the financial statements as of and for the year ended June 30, 2012 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Significant Deficiency ☒ Yes ☐ No

Material Weakness ☒ Yes ☐ No

Compliance

Compliance Material to Financial Statement ☒ Yes ☐ No

Section II - Financial Statement Findings

2012-1. Inadequate Segregation of Accounting Duties

Criteria: Proper internal controls require that accounting duties be performed by separate individuals so that one individual could not perpetrate and conceal errors or irregularities without them being detected by another individual who was performing his or her assigned duties.

Condition: There is an inadequate segregation of duties over receiving, posting, and depositing cash receipts. One person is responsible for all of the above duties.

Effect: Errors or irregularities may not be detected within a timely period.

Recommendation: None

MAYOR AND BOARD OF ALDERMEN
TOWN OF CLARKS
Clarks, Louisiana
Schedule of Current Year Findings and
Management's Planned Corrective Action

Management's Planned

Corrective Action:

It is not economically feasible to correct this deficiency based on the size of the Town and its limited revenues.

2012-2. Inadequate Controls Over Preparation of Annual Financial Statements

Criteria: The Town is required to prepare annual financial statements in accordance with generally accepted accounting principles and should have internal controls in place to prevent, detect or correct a misstatement of those financial statements.

Condition: Due to its small size, the Town does not have an individual with the expertise to perform these internal control functions effectively.

Effect: Misstatements in the financial statements may not be detected within a timely period.

Recommendation: None

Management's Planned

Corrective Action:

It is not economically feasible to correct this deficiency based on the size of the Town and its limited revenues.

2012-3. Need to Improve Controls Over Maintenance of Accounting Records

Criteria: Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that accounting records are maintained in such a manner that allow for the timely preparation of financial statements in accordance with generally accepted accounting principles.

Condition: The following deficiencies were noted in the internal controls over maintaining accurate and complete accounting records:

1. Bank accounts were reconciled without correcting posting errors that resulted in invalid deposits in transit and outstanding checks.
2. The receipt and disbursement of a state grant for street improvements was incorrectly recorded in the Water and Sewer Enterprise Fund.

MAYOR AND BOARD OF ALDERMEN
TOWN OF CLARKS
Clarks, Louisiana
Schedule of Current Year Findings and
Management's Planned Corrective Action

3. 6 out of 17 tickets issued as recorded on the ticket log were not accounted for. A traffic ticket that was paid in cash in June 2012 was not deposited into the bank until October 2012.

Effect: The failure to maintain accounting records in such a manner that allows for the timely preparation of financial statements in accordance with generally accepted accounting principles could result in material misstatement of the financial statements.

Recommendation: I recommend that posting errors discovered when reconciling bank accounts be corrected before completing the reconciliation and outstanding checks that do not clear within 60 days be voided and reissued if necessary. Only those revenues and expenses that pertain to the water and sewer system should be recorded in the Water and Sewer Enterprise Fund. All tickets issued by the Town's police department should be accounted for and receipts for tickets should be promptly deposited into the bank.

**Management's Planned
Corrective Action:**

Bank reconciliations will be carefully reviewed for posting errors, revenues and expenses will be posted in the proper fund and new procedures will be adopted that will result in better controls over tickets issued.

2012-4. Inadequate Controls Over Cash Disbursements

Criteria: Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that assets are safeguarded against loss resulting from unauthorized use and that transactions are executed in accordance with management's authorizations.

Condition: The following deficiencies were noted in the internal controls over accounting for cash disbursements:

1. I selected a sample of 60 disbursements and determined that 7 were not adequately supported by an invoice or other documentation and 15 were not initialed by the mayor as evidence of review and approval.

MAYOR AND BOARD OF ALDERMEN
TOWN OF CLARKS
Clarks, Louisiana
Schedule of Current Year Findings and
Management's Planned Corrective Action

2. Supporting documentation for credit fuel sales did not provide adequate identification of purchaser.
3. The bid file for the purchase of a fire truck did not contain written documentation of the notification to the bidder stating the reason the low bid was not accepted.

Effect: The failure to maintain proper internal controls over cash disbursements may result in inaccurate accounting records being maintained and the possibility of unauthorized transactions occurring.

Recommendation: I recommend that all disbursements be supported by original, detailed invoices or other appropriate support. The mayor should carefully review all supporting documentation prior to signing checks for payment of the invoices. The mayor should initial the supporting documentation as evidence of her review and approval. The Town should adopt a fuel usage policy that requires that the documentation for fuel usage identify the vehicle receiving the fuel and include the odometer readings. This documentation should be reviewed for reasonableness (number of gallons purchased, miles traveled, and miles per gallon) on a monthly basis. The bid documentation for all purchases required by state law to be advertised and let to the lowest responsible bidder should contain written documentation and notification to the bidder as to the reason the lowest bid was not accepted.

Management's Planned

Corrective Action: All disbursements will be properly supported and approved by the mayor. The town will adopt a new fuel usage policy. All future bid documentation will include all required written notifications.

2012-5. Inadequate Controls Over Water and Sewer Fund

Criteria: Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that assets are safeguarded against loss resulting from unauthorized use and that transactions are executed in accordance with management's authorizations.

Condition: The following deficiencies were noted in the internal controls over the Water and Sewer Fund:

TOWN OF CLARKS
Clarks, Louisiana
Schedule of Current Year Findings and
Management's Planned Corrective Action

1. I selected a sample of customer payment reports and bank deposits and noted that 6 out of 40 payments were not posted to the correct general ledger account.
2. No reconnect fees were deposited or posted to accounting records for 6 months during the year (October through March 2012).
3. The reasons for customer account adjustments were not adequately documented for all adjustments made during the year.
4. The listing of customer meter deposits received during the year included 4 amounts that could not be traced to the receipt book or a deposit slip. 7 of the amounts on the listing were recorded incorrectly. One deposit amount paid in cash listed in the receipt book could not be traced to the listing or to a deposit slip. 5 customer meter deposits that were collected from January through June 2012 were not recorded as deposits in the customers account records until August 2012.

Effect: The failure to maintain proper internal controls over the Water and Sewer Fund resulted in inaccurate and incomplete accounting records being maintained.

Recommendation: I recommend that bank deposits be posted to the proper general ledger account. The monthly disconnect list should clearly indicate which accounts were disconnected and be signed by the person who performed the disconnects. This listing should be reconciled to disconnect fees recorded in the general ledger on a monthly basis to ensure that all fees have been properly collected and recorded. The monthly accounting records for the Water and Sewer Fund should include a monthly adjustment register that contains documentation of the reasons for the adjustments. This adjustment register should be reviewed and approved by the mayor on a monthly basis. The records for customer meter deposits should be maintained in a timely fashion and should contain only those amounts that are for refundable customer meter deposits.

**Management's Planned
Corrective Action:**

Deposits will be posted to proper general ledger accounts. The town will implement new procedures for disconnects. A monthly adjustment register will be printed and approved by the mayor. Customer meter deposit records will be maintained accurately and in a timely manner.

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2012-6. Need to Improve Controls Over Payroll

Criteria: Management is responsible for establishing and adhering to internal control policies and procedures that provide reasonable assurance that all payroll records and reports are accurate.

Condition: The following deficiencies were noted in the internal controls over payroll:

1. Form 941 which reports quarterly federal payroll taxes was not filed for the 3rd quarter of 2011. Forms 941 for the 1st and 2nd quarters of 2012 were not completed correctly.
2. The amount remitted for state income tax withholding from employees for the 3rd quarter of 2011 that was due by October 31, 2011 was not paid until January 2012 and was incorrect. The amount remitted for the 4th quarter of 2011 was also incorrect.
3. Full-time employees are allowed to accumulate and carry forward unused vacation and sick leave but are not required to maintain formal written records of time earned and used on a monthly basis.

Effect: The failure to adhere to internal controls over payroll could result in fines and penalties being assessed for failure to properly report and remit state and federal payroll taxes and employees improperly carrying forward accumulated vacation and sick time.

Recommendation: All payroll tax reports should be accurately and timely filed and all payroll taxes should be paid in accordance with timetables established by the state and federal government. Formal written records of vacation and sick leave earned and used must be maintained by employees through the use of timesheets and approved by the mayor on a monthly basis.

Management's Planned

Corrective Action: Corrections will be made to previously filed payroll tax reports and all taxes due will be paid. Employees will be required to maintain timesheets that will document vacation and sick leave used.

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2012-7. Noncompliance with Local Government Budget Act

Criteria: Louisiana R.S. 39:1311 requires that the Town adopt a budget amendment when actual expenditures exceed budgeted expenditures by 5% or more.

Condition: For the year ended June 30, 2012, actual General Fund expenditures exceeded budgeted expenditures by \$41,091 or 14%.

Effect: Violation of the Local Government Budget Act.

Recommendation: I recommend that the Town's monthly financial statements include a comparison of actual General Fund revenues and expenditures to budgeted revenues and expenditures and that a budget amendment be adopted when actual expenditures exceed budgeted expenditures by 5% or more.

Management's Planned

Corrective Action: The town clerk will compare actual to budget expenditures on at least a quarterly basis and notify the mayor and aldermen if actual expenditures exceed budgeted expenditures.

2012-8. Failure to Comply with Terms of Grant Agreement

Criteria: The FY2009 Assistance to Firefighters Grant received from the Federal Emergency Management Agency (FEMA) requires that the Town comply with the provisions of the grant agreement as a condition of receiving federal funding.

Condition: During the year ended June 30, 2012, the Town received funding under the FEMA grant to purchase a fire truck. The agreement provided that the federal share of the cost of the vehicle would be 95% and the town's share would be 5%. The actual cost of the truck and accessories purchased was \$188,703. The federal portion of this vehicle should have been 95% of the total cost or \$179,268; however, the Town requested and received \$190,475 in federal funds for the vehicle purchase. Additionally, the grant agreement required that the Town complete on-line semiannual financial status reports within 30 days of the end of every six month period for the life of the grant and an on-line financial status report at the end of the performance period to close out the grant. The grant performance period was from April 30, 2010 through July 31, 2011. One of the two required semiannual reports was not filed nor was a report filed at the end of the period to close out the grant.

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Effect: Noncompliance with terms of the grant agreement.

Recommendation: I recommend that the Town immediately submit the on-line financial status report to close out the grant and follow the recommendations of FEMA to resolve the above findings.

Management's Planned

Corrective Action: The mayor will contact FEMA as to how to proceed to resolve the finding.